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IOWA FINANCE AUTHORITY BOARD MEETING MINUTES

**State of Iowa Historical Building
February 4, 2004**

BOARD MEMBERS PRESENT

Vincent Lintz, Chair	Virginia Bordwell (via telephone)
Kay Anderson	Carmela Brown
Nancy Evans (via telephone)	Roger Caudron (via telephone)
Steve Adams (via telephone)	Douglas Walter
	Dick Wright

STAFF MEMBERS PRESENT

Michael Tramontina, Executive Director	Craig Johnson, Financial Analyst/Underwriter
Lori Beary, Community Development Finance Officer	Bret Mills, Chief Financial Officer
Mary Bilstad – Affordable Assisted Living Coordinator	Tim Morlan, Underwriter
Roger Brown, Director of HUD Programs, Section 8 Contract Administration	Sharon Murphy, Housing Compliance Specialist
Mickey Carlson – Single Family Program Manager	Julie Noland – Director of Administrative Services
Donna Davis, Deputy Director, Director of Housing Programs	Loyd Ogle, Director of Policy and Governmental Affairs
Dennis Dietz, Director of Title Guaranty	Carla Pope, Service Enriched Housing Director
Steven Harvey – Comptroller	James Smith, General Counsel
Alyson Fleming – Administrative Assistant	Tim Waddell, Tax Credit Manager
	Nancy Wallis, Administrative Assistant
	Vicky Winter, Legal Secretary

OTHERS PRESENT

Bob Burns – Burns & Burns, L.C.	Nicole Jones – State Treasurer's Office
Kristi Boyce – Wells Fargo Bank, NA	Martin Lee – Iowa Association of Realtors
Tom Capp – Gorman & Company	Sheila Lumley – Polk County Housing Trust Fund
Pam Carmichael – HOME Inc.	Joe O'Hern – Fannie Mae Iowa Partnership Office
Al Collet – Iowa Department of Economic Development	Jack Porter – Iowa Department of Cultural Affairs
Jim Conlin – Conlin Properties	Bernie Van Til – Preservation Properties, LLC
Joni DeVries – Wells Fargo Bank, NA	John Varones – Apollo Housing Capital
Ralph Gross – Merrill Lynch	Terry Vestal – Iowa Department of Economic Development
Dave Grossklaus – Dorsey & Whitney Law Firm	
Reverend Wayne Hoffman – Westkirk Presbyterian Church, Urbandale	

CALL TO ORDER

Chair Lintz called to order the February 4, 2004 meeting of the Iowa Finance Authority (IFA) Board of Directors at 10:55 a.m. Roll call was taken and a quorum was established with the following members present: Lintz, Anderson, Evans, Adams, Bordwell, Brown, Caudron, Walter and Wright.

REVIEW AND APPROVAL OF MINUTES

January 7, 2004 - Board Meeting

Chair Lintz introduced the minutes of the January 7, 2004 meeting of the Iowa Finance Authority Board of Directors.

Mr. Wright requested additional information on the sources of funding for the Homeless Coordinator position. Mr. Mike Tramontina clarified the request to include an additional sentence stating the Authority will fund the balance of the position in addition to the amounts pledged by the Iowa Department of Economic Development.

Ms. Winter stated the additional comments will be added to the minutes.

MOTION: On a motion by Mr. Adams and a second by Ms. Evans, the Board unanimously approved the minutes of the January 4, 2004 Board of Directors meeting with the inclusion of the additional information on the funding sources for the Homeless Coordinator position.

MANAGEMENT REPORT

Summary & Overview

Mr. Tramontina reported on a series of articles appearing Sunday and Monday in the Des Moines Register on the migration of low-income people from areas of Chicago and East St. Louis to Iowa. He stated he found the articles to be very informative.

Mr. Tramontina stated he and Mr. Mills attended a conference earlier in the month sponsored by S & P for state housing finance agencies. He said many individuals from various housing finance agencies and housing professionals convened to discuss trends and financial conditions and issues of affordable housing finance. Mr. Tramontina referred to the handout included in the board packets.

Mr. Tramontina requested Ms. Donna Davis introduce the newest member of the Authority staff, Ms. Mary Bilstad. Ms. Davis stated Ms. Bilstad was selected to fill the recently vacated position

of Affordable Assisted Living Coordinator. She stated Ms. Carla Pope was recently promoted to the position of Service Enriched Housing Director.

Ms. Bilstad gave a brief overview of her work history and experience. She stated she was very glad to be with the Authority.

Administrative Services

Ms. Julie Noland referred to the handout included in the Board packets.

LEGAL / REGULATORY

Mr. James Smith stated the oral arguments in the Prairie Garden matter were made on January 22, 2004. He stated he is withholding judgment on the arguments until the decision by the Judge has been made.

FINANCE AND ACCOUNTING

Finance Update

Mr. Mills referred to the financial results booklet included with the Board packets. He stated assets, liabilities and net assets each grew roughly 20% over December 2002 figures while net income grew almost 51%. Mr. Mills said income growth is primarily due to the receipt of federal grants in the SRF program. He stated declines in investment fair market values negatively impacted the General Fund, Single Family and Multifamily Indentures. Mr. Mills noted the 5-year trend analysis provided in this section as well as the notation at the bottom of the page regarding the use of negative signs for the various account types.

Mr. Mills stated four firms have filed a Notice of Intent to Bid in response to the Request for Proposal (RFP) for Auditing Services. He said he is anticipating making the selection not later than March 1, 2004. Mr. Mills reported the goal of fully completing the audit by September 30, 2004 remains in place.

Mr. Mills updated the Board on the Capital Adequacy Report by Mr. Al Hans of Piper Jaffray.

Mr. Mills reported the goal to close and report YTD results for December 2003 on all IFA indentures in time for the February Board meeting has been met due to the implementation of software and the diligent work of the accounting staff.

Mr. Mills stated the report is not in its final form. He said accounting staff is developing a format to concisely report on the derivative contracts in the Single Family Indenture. Mr. Mills explained the term “indenture” is borrowed from the AOD system and refers to all major funds. He said that the YTD budgets by program and function could be provided, however, it was decided that managers should be informed and consulted before reporting on results in the General Fund Indenture. Mr. Mills stated this and other details will be added to the Board reports in the coming months.

Chair Lintz polled the Board for their preference in receiving the reports on the General Fund with a formal presentation each quarter. The majority of the Board stated their preference is to receive the reports each month.

STATE REVOLVING FUND (SRF) PROGRAM

Mr. Tramontina referred to the handout included in the Board packet.

COMMUNITY / ECONOMIC DEVELOPMENT

Economic Development Loan Program

ED. Loan #664B-1, Burlington Medical Center

Ms. Beary introduced the authorizing resolution for \$45,000,000 to amend the loan agreement and bond trust indenture in Adjustable Demand Revenue Bonds for the Burlington Medical Center. She stated the bonds were issued in 1997 as variable rate bonds. Ms. Beary stated the resolution allows the documents to be amended so the bonds can be converted to auction rate bonds. She said these bonds were used to finance the construction of a new hospital in West Burlington now known as Great River Medical Center.

RESOLUTION #664B-1

MOTION: Mr. Caudron made a motion approving the resolution for \$45,000,000 to amend the loan agreement and bond trust indenture in Adjustable Demand Revenue Bonds (Burlington Medical Center Project). On a second by Ms. Anderson, the Board unanimously approved Resolution 664B-1.

Community Development Programs

MS #03-02 Story City Herald Building – Eloise Thorson

Ms. Beary introduced a resolution authorizing the increase of the loan amount of the Main Street Revitalization Loan for Eloise Thorson, owner of the Story City Herald. She stated the loan was used to construct a new building on an infill lot where the former Story City Herald building stood. Ms. Beary reported the original newspaper building was built in 1880 and had to be razed in 1987 due to structural problems caused by improper excavation on an adjacent lot. She stated Mrs. Thorson has owned the Story City Herald since 1973 and the newspaper is operated by her son. Ms. Beary said the project has also received a Main Street Iowa Challenge grant. She stated the building is completed and occupied.

Ms. Beary stated the original loan was for an amount not to exceed \$140,000 at an interest rate not to exceed 6.5%. She said this resolution increases the loan to an amount not to exceed \$152,000. Ms. Beary stated the construction costs were more than anticipated and not enough funds were added in for contingencies.

MOTION: Ms. Evans made a motion to approve the resolution increasing the loan amount for the Main Street Revitalization Loan for Eloise Thorson to an amount not to exceed \$152,000. On a second by Ms. Bordwell, the Board unanimously approved Main Street Resolution #03-02.

MS #03-04 Elkader Cinema – Lee and Diane Akin

Ms. Beary introduced a resolution authorizing the increase of the loan amount of the Main Street Revitalization Loan for Lee and Diane Akin, owners of the Elkader Cinema.

Ms. Beary stated the residents of Elkader formed the Elkader Cinema Group in order to purchase, renovate and reopen the Elkader Theater. She said the organization received a Main Street Iowa Challenge Grant for \$50,000 and a \$20,000 grant from the Upper Mississippi Gaming Commission. Ms. Beary stated the group also raised \$6,000 locally. She said the Cinema group purchased the theater and renovated the interior of the theater using the grant monies and borrowing \$77,000. Ms. Beary reported the Akins then purchased the theater from the Cinema group, installed carpeting and projection equipment and will continue renovations by rehabbing the second floor as an apartment for them. She stated the theater has been open for business since November and is doing well.

Ms. Beary stated the original loan was for an amount not to exceed \$150,000 at an interest rate not to exceed 7%. She said the resolution increases the loan to an amount not to exceed \$185,000. Ms. Beary stated the Akins assumed about \$10,000 of costs the Cinema group had originally planned to cover and had not adequately estimated for appliances and fixtures. She said they also decided to pour concrete in the basement which was not in the original plan.

MOTION: Mr. Wright made a motion to approve the resolution increasing the loan amount for the Main Street Revitalization Loan for Lee and Diane Akin to an amount not to exceed \$185,000. On a second by Mr. Walter, the Board unanimously approved Main Street Resolution #03-04.

HOUSING PROGRAMS

Homeownership Programs

Single Family Status, Delinquency and Activity Reports

Ms. Donna Davis referred to the monthly activities report and charts included in the board packet. She stated the year end summaries for the Single Family Program will be provided at the March Board meeting.

Presentation by Martin Lee - Sponsorship of License Plate Initiative

Ms. Davis invited Mr. Martin Lee of the Iowa Association of Realtors to speak to the Board.

Mr. Tramontina added the Authority would like to see a strong and long-lasting partnership formed with the realtors of the state of Iowa.

Mr. Lee introduced himself as the CEO of the Iowa Association of Realtors. He stated the membership of the Association includes 7500 members located in 50 local associations across the state. Mr. Lee explained the public awareness campaign the association is currently

sponsoring. He clarified that not every real estate licensee in the state is a realtor member of the Iowa Association of Realtors. Mr. Lee explained in order for a realtor to become a member, they must belong to the local and national associations of realtors.

Mr. Lee referred to the handout included in the Board packets, which illustrates an example of the proposed license plate design. He said the Department of Transportation will not allow the Association to override the cost of the plates by more than \$10.00. Mr. Lee stated the requirement is to sell at least 500 plates and he anticipates selling at least 2,000-3,000. He said in order to include the override; the license plates must be sponsored by a state agency. Mr. Lee explained the \$10.00 overridden on each license plate sold will be transferred to the Authority on an annual basis.

Mr. Tramontina explained the funds transferred from the sponsorship will be used for the FirstHome Program for downpayment assistance to first-time homebuyers.

MOTION: Ms. Brown made a motion to approve the sponsorship of the license plate initiative for the Iowa Association of Realtors. On a second by Ms. Anderson, the Board unanimously approved the sponsorship of the license plate initiative for the Iowa Association of Realtors.

Ms. Davis stated the 2004 dollars in downpayment assistance under the FirstHome Program has been extended through the first quarter of 2004.

Low Income Housing Tax Credit (LIHTC) Program

Ms. Davis referred to the written summary included in the Board packets.

Compliance

Ms. Davis referred to the written summary included in the Board packets.

Resolution RE: Hawthorne Hill, Project 02-26

Mr. Tim Waddell referred the Board to the written staff response to the additional information received from Mission Hills LP, which was requested in the letter dated January 8, 2004 from Chair Lintz. He gave a brief history of the time line of events preceding the request to rescind the tax credits for this project.

In response to the question as to whether an acquisition rehabilitation project has an additional year to be placed in service, Mr. Waddell stated that during his trip to Washington D.C. after the January Board meeting, he had the opportunity to meet with the IRS's General Counsel Office at a tax credit manager's forum. He said three members of the General Counsel's office were present at the forum. Mr. Waddell stated he was told the project would not have an additional year to be placed in service. He explained the reference to the additional year refers to a technicality in the IRS code which essentially separates the 8609's for rehabilitation and acquisition. Mr. Waddell stated that there are 4% and 9% credits for those particular acquisition or rehabilitation tax credits. He explained the 8609 is the IRS form that the Authority issues when a project is placed in service. Mr. Waddell stated in an acquisition and rehabilitation project, the 8609 is issued for the acquisition credits, which are 4%, and an 8609 for the rehabilitation tax credits, which are 9%. He said there is the ability for the rehabilitation credits

in an acquisition and rehabilitation project to defer one year on those credits. Mr. Waddell explained the Authority does not allow that exception. He stated the 8609's are issued together, when the project is placed in service.

Mr. Waddell referred to the carryover agreements signed by Mission Hills LP, on December 31, 2002, which state the project will be completed by December 31, 2004.

Mr. Waddell compared the response from Mission Hills LP with the request for information contained in Chair Lintz's letter. He stated the information received from Mission Hills LP does not contain any actual commitment of funds letters from any of the sources and the letter from the City of Des Moines does not contain any monetary commitment. He stated no commitment letter was provided by the Women's Division of the United Methodist Church. Mr. Waddell said an appeal on the State HOME funds is invalid and no letter of appeal was received by the Iowa Department of Economic Development. He stated the funding round for this year has since passed with awards being made in March of this year. Mr. Waddell said the Polk County Housing Trust Fund does not have an application on file for this project and referred to an email communication from Ms. Sheila Lumley, Executive Director of the Polk County Housing Trust Fund. He stated the information received from the Bank of America refers to providing a term sheet and not a contract. Mr. Waddell said he has seen a contract between Mission Hills LP and Gorman Company. He stated this agreement may be cancelled with a fifteen day notice without cause and there are no time frames for construction. Mr. Waddell further explained there has been no information received from the State Historic Preservation Office and he called the office himself and was told they had not been contacted by Mission Hills LP. Mr. Waddell provided SHPO with a copy of Chair Lintz's letter to Mission Hills LP.

Mr. Waddell stated Gorman and Company had made no contact with the Authority during this period and referred to the previous developers involved with the project that had made contact with the Authority and held meetings concerning due diligence and proposals. He stated his conclusion is that again the project is attempting to persuade potential funding sources and partners in development with no hard evidence of commitments. Mr. Waddell said that time has simply run out on the project and it is his recommendation to rescind the tax credits awarded to the project and return those credits to the general pool for the 2004 funding awards.

Chair Lintz asked Mr. VanTil to speak to the Board. Reverend Wayne Hoffman approached the Board and two handouts were distributed to the Board members present. Reverend Hoffman introduced Mr. John Varones, with Apollo Housing Capital and Mr. Tom Capp, with Gorman and Company.

Mr. Varones spoke to the Board briefly outlining his background. He stated Apollo Housing Capital is the tax credit equity investor in Hawthorne Hills. Mr. Varones gave a brief explanation on the financing of the project.

Mr. Tom Capp gave a brief explanation of his background with Gorman and Company. He stated Gorman and Company had agreed to join the project as developer.

After a lengthy discussion and questioning by the Board, Chair Lintz asked for a motion on the Resolution Re: Hawthorne Hill, Project 02-26.

MOTION: Mr. Caudron made a motion on the Resolution Re: Hawthorne Hill, Project 02-26 to rescind the 2002 tax credits allocated in the amount of \$558,380. On a second by Ms. Anderson, the Board unanimously approved the Resolution Re: Hawthorne Hill, Project 02-26.

The Board recessed the meeting at 1:10 p.m. and reconvened at 1:25 p.m.

Multifamily Lending Activity

Resolution Re: Predevelopment Loan for Tearman Towers a/k/a Courtland Apartments (Davenport)

Ms. Davis introduced the Resolution Re: Predevelopment Loan for Tearman Towers (Courtland Apartments) (Davenport) and referred to the summary term sheet included in the Board packets. She reported the resolution is for a \$6,000 predevelopment loan to John Lewis Coffee Shop for the completion of a market study to determine whether a market exists for converting the project to condominiums.

Mr. Wright inquired as to the terms of the interim financing.

Ms. Davis stated if the market study does not support the need for the condominiums, the Board will be asked to change the loan to a grant. She said the Board is under no obligation to approve a construction or rehabilitation loan for the project in the future.

Chair Lintz inquired as to the terms of the predevelopment loan.

Ms. Davis stated the interest rate is 3%.

Mr. Walter stated he had been in the building several times and thought the project was very worthwhile and if implemented would provide a very nice building and units for several families.

MOTION: Mr. Caudron made a motion to approve the Resolution authorizing the predevelopment loan for Tearman Towers (Courtland Apartments) in Davenport for the amount of \$6,000. On a second by Mr. Walter, the Board unanimously approved the Resolution for the predevelopment loan for Tearman Towers (Courtland Apartments) in Davenport.

OTHER HOUSING PROGRAMS

Resolution Re: Downpayment Assistance Through Individual Development Accounts

Ms. Davis introduced a resolution for funding of the Individual Development Account (IDA) category from the 2003 Housing Assistance Budget approved February 5, 2003 and amended April 2, 2003. She referred to the memo and explanation of the review process of the two applications and the recommendation for funding that were included in the Board packets. Ms. Davis stated it was the recommendation of staff that the program through the Institute for Social Development (ISED) most closely met the intention of the grant.

MOTION: Ms. Evans made a motion to approve the resolution funding the Individual Development Account for down payment assistance funds in an amount not to exceed \$150,000 to the Institute for Social Development. On a second by Ms. Brown, the Board unanimously approved the Resolution Re: Down Payment Assistance Through Individual Development Accounts (IDAs).

SECTION 8 CONTRACT ADMINISTRATION

Ms. Davis referred to the written summary included in the Board packets

GRANTS

Ms. Davis referred to the written summary included in the Board packets

HOPWA (HUD Grant called Housing Opportunities for Persons with HIV/Aids):

Ms. Davis referred to the written summary included in the Board packets.

Technical Assistance Grant Funding to Iowa Chapter of National Association of Housing and Redevelopment Officials (NAHRO)

Ms. Davis referred to the letter and memo included in the Board packets in which the Authority was requested to assist NAHRO in paying for a trainer at their spring conference.

Mr. Wright inquired as to the process for requesting funding assistance from the Authority.

Ms. Davis stated any organization is eligible to request assistance from the Authority and the Housing Assistance Fund Budget allows for technical assistance grants.

Mr. Tramontina stated that many outside organizations are very important to the Authority's mission and funding grants such as this expands and furthers the members' education and partnership with the Authority.

Mr. Caudron stated that he is still a member of the organization; however he is no longer currently active and had served as treasurer for ten years. He said NAHRO has a very positive impact on the training of housing professionals in the state of Iowa.

MOTION: Mr. Adams made a motion to approve the technical assistance grant for the NAHRO spring training conference in the amount of \$2,000. On a second by Mr. Wright, the Board unanimously approved the technical assistance grant to NAHRO in the amount of \$2,000.

TITLE GUARANTY DIVISION (TGD)

Mr. Dennis Dietz reported that the gross premiums for January were \$725,000, bringing the fiscal year-to-date total to \$4,500,000. He referred to the written report in the Board packets for further information regarding activities relating to TGD.

POLICY / LEGISLATION

Federal and State Legislative Update

Mr. Loyd Ogle referred to the Federal Legislative Update chart distributed to the Board and

referred to a list of proposed State Legislation. He updated the Board on the federal and state legislation that could affect IFA.

Update on State Housing Trust Fund

Mr. Ogle referred to a memo, included in the Board packets, from Ms. Cynthia Eisenhower directing state agencies to use no more than 40% of the funds allocated under the Rebuild Iowa Infrastructure Fund (RIIF). He stated the Authority was allocated \$800,000 for the State Housing Trust Fund Program. Mr. Ogle said the directive is due to the revenue shortfall in estimates of gaming receipts and the issue of differing tax rates between land and riverboat casinos, which has not yet been resolved. He stated it is unlikely additional revenue under RIIF will be available without action by the Legislature to address the tax rates. Mr. Ogle said Authority staff was prepared to present their recommendations for awards under the State Housing Trust Fund Program to the Board at this meeting, however, due to the issue of funds for allocation; no recommendations for awards were made.

COMMUNICATIONS

In the absence of Ms. Monica Fischer, Mr. Tramontina stated he had no report.

MISCELLANEOUS ITEMS

Receive Comments from General Public

Chair Lintz opened the public comment period and asked if anyone in the audience would like to address the Board.

Ms. Pam Carmichael spoke to the Board and requested the Authority bring the State Housing Trust Fund awards to the Board in March. She stated her request is for reduced allocations rather than delaying the entire award process to the next year.

Mr. Tramontina credited Ms. Carmichael for her support in the creation of the State Housing Trust Fund.

Mr. Bob Burns spoke to the Board on the Successful Living project in Iowa City, which purchased a former fraternity house with HOME funds from the city of Iowa City, funds from the Federal Home Loan Bank, and Housing Assistance Funds from the Authority. He stated the project houses 21 men, previously homeless, and provides them with a variety of services and assistance.

Next Month

The next regular meeting will be held at 10:45 a.m. on March 3, 2004 at the Hotel Fort Des Moines.

ADJOURNMENT

There being no further business, on a motion by Mr. Caudron and a second by Mr. Walter, the December meeting of the Iowa Finance Authority Board of Directors adjourned at 2:15 p.m.

Dated this 3rd day of March, 2004.

Respectfully submitted:

Approved as to form:

Michael L. Tramontina
Executive Director
Iowa Finance Authority

Vincent C. Lintz, Chair
Iowa Finance Authority

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